

**MOUNTAINLAND ASSOCIATION OF
GOVERNMENTS**

Financial Statements

Year Ended June 30, 2006

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

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Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Executive Council
Mountainland Association of Governments

We have audited the accompanying financial statements of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments, as of and for the year ended June 30, 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the *general fund* for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2006 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, which follows this report, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Agui & Company, PC

August 11, 2006

Management's Discussion and Analysis

This section of Mountainland Association of Governments' (the Association) annual financial report presents management's discussion and analysis of the Association's financial performance during the year ending June 30, 2006. Please read it in conjunction with the Association's financial statements, which follow this section.

Financial Highlights

- The Association's assets exceeded liabilities by \$1,412,945 at the close of the most recent fiscal year.
- During the year, expenses were \$93,543 less than the \$6,902,475 generated in revenues for governmental activities.
- Funding from operating grants and contributions totaled \$6,610,589 for the current year, an increase of \$338,893 from the prior year. Funding is primarily to provide regional planning and adult and aging services for participants and member cities and counties within the Mountainland Region of Utah.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The Association's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the Association, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the Association changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements of the Association are reported as governmental activities. (The Association has no business-type activities.) Governmental activities include administration, regional planning, and aging and adult services. State and federal grants finance most of these activities.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Association can be divided into two categories: governmental funds and proprietary funds.

- **Governmental fund.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Association's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Association's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, which is considered to be a major fund.

The Association adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

- **Proprietary fund.** The Association maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Association's various functions. The Association used one internal service fund (which accounts for certain employee benefits); it is included within *governmental activities* in the government-wide financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other information that can be found after the notes to the basic financial statements. The other information compares financial information for several years.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Association, assets exceeded liabilities by \$1,412,945 at the close of the most recent fiscal year.

MOUNTAINLAND ASSOCIATION OF GOVERNMENT'S Net Assets June 30, 2006 and 2005

	Governmental Activities		Total Change
	2006	2005	2006-2005
Current and other assets	\$ 958,880	\$ 901,188	\$ 57,692
Capital assets, net of accumulated depreciation	1,176,838	1,156,494	20,344
Total assets	2,135,718	2,057,682	78,036
Current and other liabilities	398,398	431,314	(32,916)
Long-term liabilities outstanding	324,375	306,966	17,409
Total liabilities	722,773	738,280	(15,507)
Net assets:			
Invested in capital assets	1,176,838	1,156,494	20,344
Unrestricted	236,107	162,908	73,199
Total net assets	\$ 1,412,945	\$ 1,319,402	\$ 93,543

- Net assets of the Association's governmental activities increased 7.1% to \$1,412,945. However, \$1,176,838 of those net assets is invested in capital assets (building, computer and other equipment, and transportation equipment). The Association uses these capital assets to provide program services for participants and member cities and counties; consequently, these assets are *not* available for spending.
- *Unrestricted* net assets increased to a balance of \$236,107 at June 30, 2006. This balance may be used to meet Association obligations to employees and creditors and to honor next year's budget.

Changes in net assets. The Association's total net assets increased by \$93,543 during the current year. This increase was primarily from additional local revenues.

- The Association's total revenues increased by 7.1% to \$6,902,475. Federal and state grants make up 95.8% of the Association's revenues; local revenue generates 4.2% of the Association's revenues; the remainder of revenues is from matching contributions of in-kind services and facilities for programs administered by the Association.
- The total cost of all programs and services increased by 4.0% to \$6,808,932. This increase was mostly attributable to a growing population and additional programs during the year, which coincides with the increased revenues noted above.

MOUNTAINLAND ASSOCIATION OF GOVERNMENT'S Change in Net Assets
Years Ended June 30, 2006 and 2005

	Governmental Activities		Total Change
	2006	2005	2006-2005
Revenues:			
Program revenues:			
Charges for services	\$ 156,732	\$ 150,772	\$ 5,960
Operating grants and contributions	6,610,589	6,221,696	388,893
General revenues:			
Local and miscellaneous	135,154	72,312	62,842
Total revenues	6,902,475	6,444,780	457,695
Expenses:			
Administrative	26,999	25,059	1,940
Regional planning	2,548,793	2,459,458	89,335
Aging and adult services	4,233,140	4,062,044	171,096
Total expenses	6,808,932	6,546,561	262,371
Change in net assets	93,543	(101,781)	195,324
Net assets, beginning	1,319,402	1,421,183	(101,781)
Net assets, ending	\$ 1,412,945	\$ 1,319,402	\$ 93,543

Financial Analysis of the Association's Funds

As noted earlier, the Association uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Association's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Association's financing requirements. As the Association completed the year, its governmental fund (the *general fund*) reported a fund balance of \$236,107, which was \$73,199 more than the previous year.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the Association's fund balance that is not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the Association's self-imposed limitation on the use of otherwise available expendable financial resources in its governmental fund.

General Fund Budgetary Highlights

During the year, the Council revised the Association's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$56,735 or 0.8% in total *general fund* revenues and expenditures. The most significant differences may be summarized as follows:

- Transportation projects are budgeted at the beginning of the year. Some projects started later in the year and, therefore, part of these projects will be accounted for in the following year.

Actual expenditures were \$241,674 less than final budgeted amounts. Actual revenues were \$168,475 less than budgeted. Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Assets

The Association acquired \$75,396 of capital assets during the year ended June 30, 2006. A summary of capital assets at June 30, 2006 and 2005 is outlined below:

MOUNTAINLAND ASSOCIATION OF GOVERNMENT'S Capital Assets
(Net of accumulated depreciation)
June 30, 2006 and 2005

	Governmental Activities		Total Change
	2006	2005	2006-2005
Building	\$ 1,059,835	\$ 1,092,737	\$ (32,902)
Computer and other equipment	11,260	-	11,260
Transportation equipment	105,743	63,757	41,986
Total capital assets	\$ 1,176,838	\$ 1,156,494	\$ 20,344

Additional information on the Association's capital assets can be found in Note 3 to the basic financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, participants, member cities and counties, and creditors a general overview of the Association's finances and to demonstrate the Association's accountability for the funding it receives. If you have any questions about this report or need additional financial information, please contact Mountainland Association of Governments, Executive Director, 586 East 800 North, Stratford Park, Orem, Utah 84097.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 350,375
Intergovernmental receivables:	
Federal	205,802
State	141,782
Local	253,567
Prepays and deposits	7,354
Capital assets, net of accumulated depreciation:	
Building	1,059,835
Equipment	117,003
Total assets	<u>2,135,718</u>
Liabilities:	
Accounts, wages, and contracts payable	300,716
Deferred revenue:	
Federal	10,432
State	255
Local	86,995
Long-term liabilities:	
Portion due or payable within one year	227,062
Portion due or payable after one year	97,313
Total liabilities	<u>722,773</u>
Net Assets:	
Invested in capital assets	1,176,838
Unrestricted	236,107
Total net assets	<u>\$ 1,412,945</u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Activities Year Ended June 30, 2006

Activities and Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Administrative	\$ 26,999	\$ 1,567	\$ -	\$ (25,432)
Regional planning	2,548,793	57,991	2,424,306	(66,496)
Aging and adult services	4,233,140	97,174	4,186,283	50,317
Total	<u>\$ 6,808,932</u>	<u>\$ 156,732</u>	<u>\$ 6,610,589</u>	<u>(41,611)</u>
General revenues:				
Local and miscellaneous				<u>135,154</u>
Change in net assets				93,543
Net assets, beginning of year				<u>1,319,402</u>
Net assets, end of year				<u>\$ 1,412,945</u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Balance Sheet

Governmental Fund

June 30, 2006

	<u><i>General Fund</i></u>
Assets:	
Cash and investments	\$ 26,000
Intergovernmental receivables:	
Federal	205,802
State	141,782
Local	253,567
Prepays and deposits	7,354
Total assets	<u><u>\$ 634,505</u></u>
Liabilities and fund balance:	
Liabilities:	
Accounts, wages, and contracts payable	\$ 300,716
Deferred revenue:	
Federal	10,432
State	255
Local	86,995
Total liabilities	<u><u>398,398</u></u>
Fund balance:	
Reserved for:	
Mountainland Travel Region	15,778
Unreserved, undesignated	220,329
Total fund balance	<u><u>236,107</u></u>
Total liabilities and fund balance	<u><u>\$ 634,505</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Assets
June 30, 2006

Total fund balances for the governmental fund \$ 236,107

Total net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental fund are not financial resources and therefore are not reported in the fund. Those assets consist of:

Building, net of \$229,422 accumulated depreciation	\$ 1,059,835	
Equipment, net of \$203,869 accumulated depreciation	<u>117,003</u>	1,176,838

An internal service fund is used by management to charge the costs of compensated absences to the *general fund*. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are zero.

Total net assets of governmental activities	<u><u>\$ 1,412,945</u></u>
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The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2006

	<i>General Fund</i>
Revenues:	
Federal	\$ 2,841,089
State	1,592,996
Local	1,294,215
Contributed services and facilities	<u>1,017,443</u>
Total revenues	6,745,743
Expenditures:	
Administrative	33,073
Regional planning	2,453,188
Aging and adult services	<u>4,186,283</u>
Total expenditures	<u>6,672,544</u>
Net change in fund balance	73,199
Fund balance, beginning of year	<u>162,908</u>
Fund balance, end of year	<u><u>\$ 236,107</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balance of total governmental fund **\$ 73,199**

Amounts reported for governmental activities in the statement of activities are different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for building are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	75,396		
Depreciation expense		<u>(55,052)</u>		20,344

An internal service fund is used by management to charge the costs of compensated absence benefit services to the *general fund*. The net revenue of the internal service fund is reported with governmental activities.

Change in net assets of governmental activities		<u><u>\$ 93,543</u></u>
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The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Federal	\$ 3,522,660	\$ 2,905,277	\$ 2,841,089	\$ (64,188)
State	1,220,942	1,697,680	1,592,996	(104,684)
Local	1,073,941	1,006,358	1,294,215	287,857
Contributed services	922,418	1,304,903	1,017,443	(287,460)
Total revenues	6,739,961	6,914,218	6,745,743	(168,475)
Expenditures:				
Administrative	104,476	104,476	33,073	71,403
Regional planning	2,844,789	2,567,046	2,453,188	113,858
Aging and adult services	3,790,696	4,242,696	4,186,283	56,413
Total expenditures	6,739,961	6,914,218	6,672,544	241,674
Net change in fund balance	-	-	73,199	73,199
Fund balance, beginning of year	-	162,908	162,908	-
Fund balance, end of year	\$ -	\$ 162,908	\$ 236,107	\$ 73,199

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Fund Net Assets

Proprietary Fund

June 30, 2006

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 324,375
Liabilities:	
Compensated absences payable	<u>324,375</u>
Net assets:	
Restricted for employee benefits	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
Revenues:	
Earnings on investments	\$ -
Charges for services	156,732
Total revenues	<u>156,732</u>
Expenses:	
Compensated absences benefits	156,732
Net Income	<u>-</u>
Net Assets, Beginning of Year	<u>-</u>
Net Assets, End of Year	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of these statements.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Fund Cash Flows
Proprietary Fund
Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Charges for services received from <i>general fund</i>	\$ 156,732
Cash paid for compensated absences	<u>(139,323)</u>
Net cash provided by operating activities	17,409
Cash and Cash Equivalents, Beginning of Year	<u>306,966</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 324,375</u></u>
Displayed on statements of fund net assets as:	
Cash and investments	<u><u>\$ 324,375</u></u>
Supplemental Information:	
Cash and cash equivalents includes amounts in demand deposits and amounts in the Utah Public Treasurers' Investment Fund as well as short-term investments with a maturity date within three months of the date acquired by the Association.	
The Association had no noncash investing, noncapital financing, or capital and related financing activities.	
A reconciliation of cash flows provided by operating activities to net income follows:	
Net cash provided by operating activities	\$ 17,409
Increase in compensated absences payable	<u>(17,409)</u>
Net income	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mountainland Association of Governments (Association) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Association are described below.

Reporting entity – The Executive Council, comprised of county commissioners of Summit, Utah and Wasatch counties and mayors of cities within those counties, is the governing authority for the Association. The Association is an independent reporting entity. No other entity meets the criteria for inclusion in the Association's financial report.

The Association was formed in 1971 as an interlocal agency and is a voluntary association of local governments in Summit, Utah, and Wasatch Counties in the State of Utah. Resources of the Association are primarily federal, state, and local grants and contracts to provide services and administer programs in the following areas:

Regional planning (transportation planning, air and water quality planning, economic development planning and coordination, community development assistance, and tourism promotion)

Aging and adult services (volunteer programs, social support services, support for senior citizens centers, transportation, congregate and home-delivered meals, and advocacy for the elderly)

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the government (the Association). These statements include the financial activities of the overall government. Adjustments have been made to eliminate the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Association's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a building is used primarily for regional planning, aging and adult services, and administration) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) charges for services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues.

The *fund financial statements* provide information about the Association's funds. Separate statements for each fund category (governmental and proprietary) are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses result from transactions directly associated with the fund's principal services.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

The Association reports the following major governmental fund:

- The *general fund* is the Association's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Association reports the following fund type:

- The *employee benefits internal service fund (proprietary fund)* accounts for the accumulation of resources to pay for accrued vacation and sick leave for eligible employees of the Association.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Association receives value without directly giving equal value in exchange, include grants and contributions. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the Association considers revenues are available if they are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund.

Under the terms of grant agreements, the Association funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Association primarily applies cost-reimbursement grant resources first to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – The Association operates within the budget requirements for special districts as specified by Utah state law. Budgets are presented on the modified accrual basis of accounting for the governmental fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- Each year the executive director and staff submit to the Executive Council a proposed budget for each fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. The Association primarily works with budgets for each grant that it receives.
- The Executive Council approves the budget and submits a copy to the state auditor.
- As determined by the state auditor and state statutes, no expenditures are to be made in excess of amounts budgeted for each department (function).

Expenditure-driven grants are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

met; unspent grant amounts are carried forward and included in the succeeding fiscal year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Cash and Investments – The cash balances of the funds are pooled and invested by the Association for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Prepays and deposits – Payments made for goods and services that will benefit periods beyond June 30, 2006 are recorded as prepaids.

Capital Assets – Capital assets, which include building, computer and other equipment, and transportation equipment, are reported in the government-wide financial statements. The Association defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for building and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized. Buildings and equipment of the Association are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building	40
Transportation equipment	5
Computer and other equipment	3

Compensated Absences – Permanent employees earn vacation and sick leave in amounts varying with tenure. Upon separation from employment, each employee shall receive payment for all unused accrued vacation leave up to but not to exceed 240 hours. Upon separation from employment, each employee may receive up to 25% of unused sick leave. Unpaid vacation and sick leave is accounted for in the Association's internal service fund.

Fund Equity – In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

2. DEPOSITS AND INVESTMENTS

The Association follows the requirements of the Utah Money Management Act (Section 51, Chapter 7 of the Utah Code) in handling its depository and investing transactions. Association funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the Association to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The State Money Management Council requires semi annual reporting of all cash balances and investments.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The Association considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – The Association's carrying amount of bank deposits at June 30, 2006 is \$191,464 and the bank balance is \$366,326. Of the bank balance, \$140,454 is covered by federal depository insurance. No deposits are collateralized, nor are they required to be by state statute. As of June 30, 2006, \$225,872 is exposed to custodial credit risk.

Deposits and investments at June 30, 2006 appear in financial statements as summarized below:

Carrying amount of deposits	\$ 191,464
Carrying amount of investments	158,911
	<u>\$ 350,375</u>
Cash and investments - governmental fund (<i>general fund</i>)	\$ 26,000
Cash and investments - proprietary fund (<i>employee benefits internal service fund</i>)	324,375
Total cash and investments	<u>\$ 350,375</u>

Investments – At year-end, the Association's investment balances of \$158,911 were held in the Public Treasurers' Investment Fund (PTIF.)

Investment Type	Fair Value	Maturities	Credit Rating
		Less Than 1 Year	
State of Utah Public Treasurers' Investment Fund	\$ 158,911	\$ 158,911	Unrated

Credit Risk – Credit quality can be a depiction of potential variable cash flows and credit risk. The Association does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk in regard to the custody of the Association's investments.

Concentration of Credit Risk – The Association places no limit on the amount it may invest in any one issuer. All of the Association's investments are invested with the Utah State Treasurer in the PTIF.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Building	\$ 1,289,257	\$ -	\$ -	\$ 1,289,257
Computer equipment	45,204	11,260	(16,339)	40,125
Other equipment	13,040	-	-	13,040
Transportation equipment	240,536	64,136	(36,965)	267,707
Total capital assets, being depreciated	1,588,037	75,396	(53,304)	1,610,129
Accumulated depreciation for:				
Building	(196,520)	(32,902)	-	(229,422)
Computer equipment	(45,204)	-	16,339	(28,865)
Other equipment	(13,040)	-	-	(13,040)
Transportation equipment	(176,779)	(22,150)	36,965	(161,964)
Total accumulated depreciation	(431,543)	(55,052)	53,304	(433,291)
Net capital assets, being depreciated /				
Net governmental activity capital assets	<u>\$ 1,156,494</u>	<u>\$ 20,344</u>	<u>\$ -</u>	<u>\$ 1,176,838</u>

For the year ended June 30, 2006, depreciation expense was charged to functions of the Association as follows:

Governmental activities:	
Administrative	\$ 3,619
Regional planning	37,614
Aging and adult services	13,819
Total depreciation expense, governmental activities	<u>\$ 55,052</u>

4. RETIREMENT PLANS

Defined Benefit Plan – The Association contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all paid by the employer for the employee) and the Association is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System the Association is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The Association's contributions to the Local Government Contributory Retirement System for the years ended June 30, 2006, 2005, and 2004, were \$37,397, \$38,285, and \$31,876, respectively. Contributions to the Local Government Noncontributory Retirement System for the years ended June 30, 2006, 2005, and 2004, were \$156,257, \$165,780, and \$143,686, respectively. The contributions were equal to the required contributions for each year.

The Association participates in a deferred compensation plan - under Internal Revenue Code Section 401(k) - to supplement retirement benefits accrued by participants in the Systems. Employees, who are participants in the Systems, can make additional contributions to the 401(k) plan. These employee contributions were \$9,374, \$14,694, and \$11,187, for the years ended June 30, 2006, 2005, and 2004, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are held by the Utah Retirement Systems. The Association contributed \$10,180, \$10,655, and \$8,343, to the 401(k) plan during the years ended June 30, 2006, 2005, and 2004, respectively.

Defined Contribution Plans - The Association has adopted a 401(k) money purchase pension plan with 100% annual vesting and is available to all employees. The Association is obligated to make annual contributions to the plan at a rate from 7.5% to 15.43% of wages paid to eligible employees. Participants can also make nondeductible voluntary contributions to the plan. For the year ended June 30, 2006, the Association contributed \$364,356 to the plan and had a liability to the plan of \$29,381 at June 30, 2006. A financial institution holds plan assets.

The Association also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$4,670 for the year ended June 30, 2006. The assets of the plan are administered and held by Utah Retirement Systems.

5. RISK MANAGEMENT

The Association also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$2 million per occurrence through policies administered by the Utah Local Governments Trust (Fund). The Association also insures its building and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$500 deductible; other liability is limited to the lesser of \$2 million or the statutory limit. The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The Association pays annual premiums to Fund; the Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants' pay experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

Unemployment compensation is maintained through Utah Department of Workforce Services; settled claims for the past three years have been insignificant. Utah Local Governments Trust covers all Association employees for workers' compensation.

6. LONG-TERM OBLIGATIONS

Long-term liabilities include obligations for compensated absences (unpaid vacation and sick leave). Changes in compensated absences liability for the year ended June 30, 2006 are \$306,966 beginning balance plus \$156,732 in vacation and sick leave earned less \$139,323 of vacation and sick leave used, leaving an ending balance of \$324,375, of which \$227,062 is anticipated to be paid in the year ending June 30, 2007.

7. LINE OF CREDIT

On June 26, 2001, the Association entered into an agreement with a financial institution for a \$100,000 line of credit. The outstanding balance on the line of credit was zero at June 30, 2006. The Association has used the building it owns as collateral on the line of credit. The Association did not use the line of credit during the year ended June 30, 2006.

8. GRANTS

The Association receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the Association's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund*. Based on prior experience, Association administration believes such disallowance, if any, would be immaterial.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

GENERAL FUND

COMPARATIVE BALANCE SHEETS

June 30, 2006 through 2002

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assets:					
Cash and investments	\$ 26,000	\$ 42,375	\$ 8,918	\$ 60,512	\$ 29,070
Intergovernmental receivables:					
Federal	205,802	179,797	274,420	266,644	272,294
State	141,782	111,802	216,376	33,801	255,478
Local	253,567	220,715	221,225	287,762	101,394
Prepays and deposits	7,354	39,533	78,267	67,888	19,418
Total assets	\$ 634,505	\$ 594,222	\$ 799,206	\$ 716,607	\$ 677,654
Liabilities and fund balances:					
Liabilities:					
Accounts, wages, and contracts payable	\$ 300,716	\$ 302,267	\$ 406,475	\$ 283,713	\$ 412,210
Deferred revenues:					
Federal	10,432	139	-	15,723	-
State	255	3,193	615	2,294	-
Local	86,995	125,715	196,376	172,543	135,356
Total liabilities	398,398	431,314	603,466	474,273	547,566
Fund balances:					
Reserved for:					
Mountainland Travel Region	15,778	35,016	40,793	47,577	50,265
Transportation	-	-	-	46,541	-
Unreserved, undesignated	220,329	127,892	154,947	148,216	79,823
Total fund balances	236,107	162,908	195,740	242,334	130,088
Total liabilities and fund balances	\$ 634,505	\$ 594,222	\$ 799,206	\$ 716,607	\$ 677,654

Source: Information taken from the Association's audited financial statements. This summary itself has not been audited.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Years Ended June 30, 2006 through 2002

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:					
Federal	\$ 2,875,399	\$ 2,657,905	\$ 2,455,495	\$ 2,452,241	\$ 2,431,300
State	1,578,476	1,614,037	1,452,631	1,199,205	1,120,838
Local	1,274,425	1,041,727	1,300,002	1,290,431	1,294,022
Contributed match	1,017,443	980,339	973,523	1,124,418	1,286,612
Total revenues	6,745,743	6,294,008	6,181,651	6,066,295	6,132,772
Expenditures by function:					
Administrative	33,073	11,946	43,544	112,284	165,622
Regional planning	2,453,188	2,388,537	2,351,978	2,068,012	2,034,193
Aging and adult services	4,186,283	3,926,357	3,832,723	3,773,753	3,919,709
Total expenditures	6,672,544	6,326,840	6,228,245	5,954,049	6,119,524
Change in Fund Balance	73,199	(32,832)	(46,594)	112,246	13,248
Fund Balance, Beginning of Year	162,908	195,740	242,334	130,088	116,840
Fund Balance, End of Year	<u>\$ 236,107</u>	<u>\$ 162,908</u>	<u>\$ 195,740</u>	<u>\$ 242,334</u>	<u>\$ 130,088</u>
Expenditures by Object:					
Personnel	\$ 2,855,030	\$ 2,933,764	\$ 2,742,318	\$ 2,556,510	\$ 2,505,954
Telephone, travel, and other	200,653	228,939	199,298	179,271	174,939
Administrative and accounting	434,544	449,676	413,971	399,864	380,610
Contracts and pass-through	2,020,555	1,658,047	1,809,508	1,602,843	1,671,629
Occupancy and supplies	144,319	76,075	89,627	91,143	99,780
Contributed match	1,017,443	980,339	973,523	1,124,418	1,286,612
Total expenditures	<u>\$ 6,672,544</u>	<u>\$ 6,326,840</u>	<u>\$ 6,228,245</u>	<u>\$ 5,954,049</u>	<u>\$ 6,119,524</u>

Source: Information taken from the Association's audited financial statements. This summary itself has not been audited.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

**SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS**

Year Ended June 30, 2006

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Mountainland Association of Governments
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	MAG Fund Number	Award Period	Award Amount	Accrued (Deferred) Revenue at 06/30/05	Receipts	Disbursements	Accrued (Deferred) Revenue at 06/30/06
U.S. DEPARTMENT OF AGRICULTURE Passed Through State Department of Social Services: Food Donation	10.550	05-2374	796	07/01/05-06/30/06	\$ 186,689	\$ -	\$ 186,689	\$ 186,689	\$ -
U.S. DEPARTMENT OF COMMERCE Direct Programs: Economic Development-Support for Planning Organizations	11.302	05-83-004109	225	01/01/05-12/31/05	52,000	2,062	26,000	23,938	-
Economic Development-Support for Planning Organizations	11.302	05-83-04242	226	01/01/06-12/31/06	52,000	2,062	13,000	26,000	13,000
							39,000	49,938	13,000
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed Through State Department of Community and Economic Development: Community Development Block Grants/State's Program	14.228	05-1422	161	06/15/05-12/31/05	10,000	-	9,241	9,241	-
Community Development Block Grants/State's Program	14.228	04-2218	165	06/21/04-12/31/05	245,421	44,324	154,032	109,708	-
Community Development Block Grants/State's Program	14.228	06-0177	166	07/12/05-06/30/06	234,600	-	88,985	148,338	59,353
Community Development Block Grants/State's Program	14.228	05-2506	172	06/21/05-12/31/05	10,756	-	10,752	10,756	4
Community Development Block Grants/State's Program	14.228	06-0741	173	09/15/05-06/30/06	10,290	-	10,290	10,290	-
Community Development Block Grants/State's Program	14.228	04-1782	170	03/17/04-12/31/04	23,726	168	168	-	-
Community Development Block Grants/State's Program	14.228	06-0105	790	03/17/05-12/31/06	67,961	-	64,136	64,136	-
						44,492	337,604	352,469	59,357
U.S. DEPARTMENT OF TRANSPORTATION Passed Through State Department of Transportation: Highway Planning and Construction	20.205	05-8741	128	08/03/05-10/31/06	1,808,634	-	1,235,779	1,342,236	106,457
Highway Planning and Construction	20.205	03-8135	125	08/03/04-10/31/05	774,022	83,901	83,901	-	-
Highway Planning and Construction	20.205	06-8095	140	08/02/05-08/01/06	6,791	-	6,791	1,790	(5,001)
Highway Planning and Construction	20.205	06-8096	141	08/02/05-08/01/06	5,761	-	5,431	-	(5,431)
Highway Planning and Construction	20.205	05-8460	149	07/01/04-06/30/05	24,056	11,556	11,556	-	-
						95,457	1,343,458	1,344,026	96,025
ENVIRONMENTAL PROTECTION AGENCY Passed Through State Department of Health: Water Quality Management Planning	66.454	03-1741	050	03/01/03-01/01/05	11,000	659	659	-	-
Nonpoint Source Implementation Grant	66.460	03-0318	073	07/01/02-06/30/05	156,000	4,697	31,120	26,423	-
Surveys, Studies, Investigations and Special Purpose Grants	66.606	02-1705	075	01/01/02-12/31/05	135,400	1,480	1,480	-	-
						6,836	33,259	26,423	-
FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION Passed Through State Department of Health: Pre-Disaster Mitigation	83.557	04-0969	194	01/01/04-09/30/04	10,000	(139)	-	139	-
BUREAU OF RECLAMATION Direct Programs: Fish & Wildlife Coordination Act	85.264	02-FC-40-8630	055	09/23/03-12/31/05	60,000	12,364	12,872	508	-

Mountainland Association of Governments
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	MAG Fund Number	Award Period	Award Amount	Accrued (Deferred) Revenue at 06/30/05	Receipts	Disbursements	Accrued (Deferred) Revenue at 06/30/06
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed Through State Department of Human Services:									
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	05-2374	796	07/01/05-06/30/06	\$ 4,252	\$ -	\$ 4,252	\$ 4,252	\$ -
Special Programs for the Aging-Title III, Part F-Disease Prevention and Health Promotion Services	93.043	05-2374	796	07/01/05-06/30/06	14,262	-	14,262	14,262	-
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	04-0006	795	07/01/04-06/30/05	141,265	875	875	-	-
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	05-2374	796	07/01/05-06/30/06	315,737	-	309,928	310,412	484
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	05-2374	796	07/01/05-06/30/06	210,668	-	195,491	195,491	-
National Family Caregiver Support	93.052	05-2374	796	07/01/05-06/30/06	89,180	-	88,182	88,182	-
Social Services Block Grant	93.667	06-0724	718	07/01/05-06/30/06	209,301	-	164,289	190,793	26,504
Social Services Block Grant	93.667	04-7241	715	07/01/04-06/30/05	207,766	17,710	17,710	-	-
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	05-2374	796	07/01/05-06/30/06	6,000	-	6,000	6,000	-
						<u>18,585</u>	<u>800,989</u>	<u>809,392</u>	<u>26,988</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE									
Direct Programs:									
Retired and Senior Volunteer Program	94.002	05SRPUT003	886	04/01/05-03/31/06	92,605	-	71,505	71,505	-
Total federal awards to Mountainland Association of Governments						<u>\$ 179,657</u>	<u>\$ 2,825,376</u>	<u>\$ 2,841,089</u>	<u>\$ 195,370</u>

The Association also received \$157,820 from the State Medicaid Waiver program not included on this schedule; these funds are direct federal cash assistance to individuals.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Mountainland Association of Governments (the Association). The Association reporting entity is defined in Note 1 to the Association's financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

Note B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to the Association's financial statements.

Note C. Relationship to Association's Financial Statements

Federal awards expended on the schedule of expenditures of federal awards for the year ended June 30, 2006 are reconciled to the Association's financial statements as follows:

Federal revenue on Combined Statement of
Revenues, Expenditures and Changes in
Fund Balances - General Fund

\$ 2,841,089



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Executive Council
Mountainland Association of Governments

We have audited the financial statements of Mountainland Association of Governments as of and for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mountainland Association of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountainland Association of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Executive Council, management, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

August 11, 2006



Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Executive Council
Mountainland Association of Governments

Compliance

We have audited the compliance of the Mountainland Association of Governments with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2006. Mountainland Association of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mountainland Association of Governments' management. Our responsibility is to express an opinion on Mountainland Association of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountainland Association of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mountainland Association of Governments' compliance with those requirements.

In our opinion, Mountainland Association of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Mountainland Association of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mountainland Association of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error of fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 11, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mountainland Association of Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Executive Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aguirre & Company, P.C.

August 11, 2006

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

No matters were reported in the prior year audit.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? ☐ yes ☒ no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? ☐ yes ☒ no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Aging Cluster:
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services
14.228	Community Development Block Grant/State's Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



Independent Auditor's Report on
Legal Compliance in Accordance with the
State of Utah Legal Compliance Audit Guide

Executive Council
Mountainland Association of Governments

We have audited the financial statements of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments for the year ended June 30, 2006, which collectively comprise Mountainland Association of Government's basic financial statements, and have issued our report thereon dated August 11, 2006. As part of our audit, we have audited the Association's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and reporting. The Association received the following major state assistance program from the State of Utah:

Adult Services - HCB Alternatives Program (Department of Human Services)

The Association also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Association's financial statements.)

Mountainland Travel Region (Department of Community and Economic Development)
Alcohol and Drug (Utah County Department of Substance Abuse)
Aging and Adult Services - Caregiver Respite Services (Department of Human Services)

The Association received state matching funds for the following federal programs which are not required to be audited for specific state compliance requirements: (However, these programs were subject to test work as part of the audit of the Association's financial statements which audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.)

Aging - Support Services, Nutrition, Transportation, Ombudsman, Action, and Home Delivery
(Department of Human Services)
Medicaid Waiver (Department of Human Services)

Our audit also included test work on the Association's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Compliance Requirements

The management of the Association is responsible for the Association's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Mountainland Association of Governments complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major state assistance programs for the year ended June 30, 2006.

Aguirre & Company, P.C.

August 11, 2006



Letter to Management

August 11, 2006

Executive Council
Mountainland Association of Governments

In planning and performing our audit of the financial statements of Mountainland Association of Governments for the year ended June 30, 2006, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 11, 2006 on the financial statements of the Association. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated August 11, 2006, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Prior Year Comments

Comments from audits of prior years have been addressed and resolved.

Current Year Comments

Three-Day Deposit Rule – The State requires that public funds be deposited daily when receipts are significant and in no case should deposits be made more than three days after funds are received. Cash and checks are not always deposited within three days of receipt.

We recommend that cash be receipted on the same day received and deposited within three days of receipt.

Views of responsible officials: We appreciate the auditor's advice. We will update procedures to ensure compliance.

The status of these comments will be reviewed during the next audit year. We have already discussed in detail these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciated being able to work with Association personnel in our audit. We note the care that the staff takes in accounting for the Association's financial information.

Squire & Company, PC

Squire & Company, PC